

Accounting for Long-Term Debt in Proprietary and Fiduciary Trust Funds

Proprietary Funds and Fiduciary Trust Funds

Unlike long-term liabilities relating to general governmental activities, proprietary funds and fiduciary trust funds are accounted for through the use of the same flow of economic resources measurement focus and full accrual basis of accounting used by commercial enterprises. Long-term obligations directly related to enterprise funds, internal service funds, and fiduciary trust funds that are expected to be repaid from those funds should be reported as liabilities of those funds.

Even though some enterprise fund debt may be a “general obligation” of the LEA, it should still be reported in the enterprise fund if it was issued for enterprise fund purposes and is expected to be repaid from enterprise fund resources. The expected source of repayment rather than the security interest for the debt is the determining factor in classification as an enterprise fund liability.

